Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

CONFIDENTIAL

PAGE 01 JAKART 14246 061206Z

55/20
ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 PM-07

DRC-01 /165 W
---------- 050519
R 060440Z DEC 73
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9841
INFO AMCONSUL MEDAN
AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 14246

C O R R E C T E D C O P Y TEXT

EO 11652: GDS
TAGS: PDEV EFIN ID
SUBJ: GOI ANNOUNCES NEW CREDIT OPPORTUNITIES
FOR SMALL INDIGENOUS BUSINESSMEN

REF: JAKARTA 4538

BEGIN UNCLASSIFIED

SUMMARY: GOI ANNOUNCED DECEMBER 4 THAT BANK OF INDONESIA
WILL ISSUE NEW REGULATIONS AUTHORIZING INVESTMENT CREDITS
AND WORKING CAPITAL LOANS OF UP TO $12,000 TO SMALL,
INDIGENOUS BUSINESSMEN ON EASIER TERMS THAN PREVIOUSLY.
NEW CREDIT POLICY IS DESIGNED TO STIMULATE SMALL
ENTREPRENUERSHIP AND MEET RISING PUBLIC DEMANDS FOR
GREATER ATTENTION TO PROBLEMS OF ECONOMICALLY WEAK
INDIGENOUS BUSINESSMEN. FOLLOWING BASED ON PRESS
REPORTS DECEMBER 5. END SUMMARY.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 14246 061206Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

1. NEW SMALL BUSINESS CREDIT POLICY WAS ANNOUNCED BY GOVERNMENT SPOKESMAN AND MINISTER OF INFORMATION MASHURI FOLLOWING DECEMBER 4 MEETING OF ECONOMIC STABILIZATION COUNCIL, WHICH WAS ATTENDED BY PRESIDENT SUHARTO. ACCORDING TO MASHURI, NEW SCHEME COINCIDES WITH POLICIES UNDER THE SECOND FIVE YEAR PLAN DESIGNED TO STIMULATE SMALL BUSINESS DEVELOPMENT. IT IS SEQUEL TO MEASURES ANNOUNCED LAST APRIL (REFTEL), WHICH DIRECTED 65 PCT OF GOVERNMENT BANK CREDITS TO LOANS OF $60,000 OR LESS AND SET UP SPECIAL AGENCY (P T BAHANAN) TO PROVIDE EQUITY FINANCING TO SMALL AND MEDIUM INVESTORS. (COMMENT: NEITHER MEASURE HAS YET HAD MUCH EFFECT.)

2. UNDER NEW POLICY INDIGENOUS BUSINESSMEN WHO QUALIFY WILL BE ABLE TO BORROW UP TO RUPIAH 5 MILLION (12,000) IN INVESTMENT CAPITAL AT 15 PCT FROM GOVERNMENT BANKS FOR NEW PROJECTS. (PREVIOUS RATE WAS APPROXIMATELY 18PCT). BORROWERS WILL BE PARTIALLY OR ENTIRELY EXEMPT-DEPENDING ON THEIR BACKGROUND AND THE NATURE OF THE PROJECT- FROM REQUIREMENT OF OTHER GOVERNMENT CREDIT SCHEMES THAOWBORROWER CONTRIBUTE 25 PCT OF PROJECT CAPITAL.

3. APPLICATION CROCEDURES FOR OBTAINING SUCH LOANS HAVE BEEN SIMPLIFIED, AND BRANCH OFFICES OF BANK OF INDONESIA IN PROVINCES HAVE BEEN GIVEN BROADER AUTHORITY TO EVALUATE APPLICATIONS AND AUTHORIZED LOANS. P T ASKRINDO, GOVERNMENT CONTROLLED CREDIT INSURANCE AGENCY, WILL PARTICIPATE AS GUARANTOR OF LOANS UNDER NEW POLICY.

4. NEW CREDIT POLICY WILL ALSO MAKE POSSIBLE LOANS OF "PERMANENT WORKING CAPITAL" FOR EXISTING BUSINESS ACTIVITIES AT 15 PCT A YEAR FOR THREE YEARS, WITH OPPOR- TUNITY FOR ONE YEAR EXTENSION. CEILING FOR SUCH WORKING CAPITAL LOANS WILL ALSO BE $12,000.

END UNCLASSIFIED

BEGIN CONFIDENTIAL

5. COMMENT: NEW CREDIT POLICY IN SUPPORT OF SMALL
CONFIDENTIAL

CONFIDENTIAL

INDIGENOUS BUSINESSMEN IS OBVIOUSLY RESPONSE TO GROWING PUBLIC CLAMOR FOR GRATER ATTENTION TO THIS GROUP, WHICH IS WIDELY REGARDED AS VICTUM OF GOVERNMENT INDIFFERENCES ND SOMETIMES FAVORITISM TOWARD CHINESE AND FOREIGN BUSINESSMEN. HOWEVER, SUCCESS OF NEW CREDIT POLICIES, AS ANOTHER MEANS OF BOOSTING SMALL INDIGENOUS BUSINESS GROWTH, WILL DEPEND ON STRENGTHENING BANKING SYSTEM TO ENSURE PROPER IMPLEMENTATION. GOVERNMENT

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

BANKING OPERATIONS ARE OFTEN CRIPPLED BY BRIBERY AND
LACK OF PROFESSIONAL STAFF AND INADEQUATE UNDERSTANDING
OF BUSINESS. RESULT HAS BEEN FREQUENT MIS-ALLOCATION
OF CREDITS AND HIGH RATE OF BAD LOANS.
KLIEFORTH

CONFIDENTIAL

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, BUSINESSMEN, BANK LOANS, CREDIT CONTROLS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART14246
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731241/aaaabeir.tel
Line Count: 120
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: JAKARTA 4538
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 23 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Nov-2001 by shawdg>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOI ANNOUNCES NEW CREDIT OPPORTUNITIES FOR SMALL INDIGENOUS BUSINESSMEN
TAGS: PDEV, EFIN, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005